

# 05 Partnerships

## OVERVIEW

For the 2009–10 income year:

- 382,398 partnerships lodged returns, a decrease of 2.7% from 2008–09
- total net income or loss of \$19.3 billion was reported by partnerships, a 3.7% decrease from 2008–09
- partnerships reported total business income of \$159.5 billion, a 3.2% decrease from 2008–09
- total partnership expenses were \$142.8 billion, a 3.3% decrease from 2008–09.

## INTRODUCTION

This chapter provides information on partnerships, as reported on their partnership tax returns. A partnership is a relationship between separate persons carrying on a business with a view to profit, and for tax law purposes also includes persons in receipt of income jointly. Each partner contributes towards the partnership and shares in the profits or losses and responsibilities.

A partnership does not pay tax in its own right. Instead each partner pays tax on their share of the net partnership income at their individual tax rate (or claims a deduction for their share of any partnership loss). All shares of capital gains or losses relating to capital gains tax events for partnership assets must be disclosed on the partners' tax returns.

A partnership requires a tax file number and must lodge a tax return at the end of the income year. All income earned and deductions claimed for expenses incurred in earning income for the partnership must be shown on the tax return. Although this return is simply an information return, it provides the basis for determining each partner's respective share of the net partnership income or loss.

## NEW FEATURES AND INFORMATION

Statistics for the 2009–10 income year reported in this chapter may have been affected by changes to taxation of financial arrangements (TOFA).

The following new labels were added to the 2010 partnership tax return:

- Total TOFA gains (item 31M)
- Total TOFA losses (item 31N)
- TOFA transitional balancing adjustment (item 31O)
- TOFA gains from unrealised movements in the value of financial arrangements (item 31P).

## PARTNERSHIP RETURNS

For the 2009–10 income year, a total of 382,398 partnerships lodged returns. This represents a 2.7% decrease from 2008–09. All industries reported fewer partnerships than the previous year, with agriculture, forestry and fishing having the largest decline of 2,701 partnerships or 2.6%.

**Table 5.1** Partnerships, by industry, 2008–09 and 2009–10 income years

Industry <sup>1</sup>	2008–09 <sup>2</sup>		2009–10 <sup>2</sup>	
	No.	%	No.	%
Agriculture, forestry and fishing	103,919	26.4	101,218	26.5
Mining	564	0.1	518	0.1
Manufacturing	13,775	3.5	13,085	3.4
Electricity, gas, water and waste services	775	0.2	771	0.2
Construction	60,857	15.5	58,670	15.3
Wholesale trade	7,685	2.0	7,330	1.9
Retail trade	28,867	7.3	27,946	7.3
Accommodation and food services	19,525	5.0	19,121	5.0
Transport, postal and warehousing	16,895	4.3	15,832	4.1
Information media and telecommunications	1,371	0.3	1,296	0.3
Financial and insurance services	4,332	1.1	4,086	1.1
Rental, hiring and real estate services <sup>3</sup>	48,423	12.3	48,307	12.6
Professional, scientific and technical services	16,011	4.1	15,544	4.1
Administrative and support services	13,706	3.5	13,357	3.5
Public administration and safety	639	0.2	579	0.2
Education and training	2,624	0.7	2,554	0.7
Health care and social assistance	4,377	1.1	4,311	1.1
Arts and recreation	4,040	1.0	3,867	1.0
Other services	18,808	4.8	18,141	4.7
Other <sup>4</sup>	25,922	6.6	25,865	6.8
<b>Total<sup>5</sup></b>	<b>393,115</b>	<b>100.0</b>	<b>382,398</b>	<b>100.0</b>

1 The industry groups are classified based on the Australian and New Zealand Standard Industrial Classification (ANZSIC) 2006 codes on the Australian Business Register.

2 Data for the 2008–09 and 2009–10 income years includes data processed up to 31 October 2010 and 31 October 2011 respectively. Data for the 2008–09 revised.

3 'Investment income recipients' statistics are included in this category.

4 Includes partnerships that lodged a subsidiary return with income from non-primary production partnerships and trusts, those registered under the government administration and defence code and those that did not state their industry.

5 Totals may differ from the sum of the components due to rounding.

## PARTNERSHIP INCOME

Partnerships receive income from a variety of sources. The total net income or loss of partnerships decreased by 3.7% in 2009–10 from 2008–09. Net income or loss from business was the major source of income for partnerships, accounting for 84.1% of their total net income or loss. However, net income or loss from business decreased by 4.7% from 2008–09.

In 2009–10, net rent recorded the highest growth at \$203 million or 13.2%.

**Table 5.2** Partnership income items, 2008–09 and 2009–10 income years

Income items	No.	2008–09 <sup>1</sup> \$m	No.	2009–10 <sup>1</sup> \$m
Net income or loss from business	330,834	17,081	320,264	16,273
Net rent	70,091	1,541	69,215	1,744
Gross interest	110,206	951	97,968	763
Net non-primary production distributions from partnerships or trusts	7,913	280	7,156	271
Gross (or total) dividends	26,569	299	20,735	237
Other Australian income	3,848	145	3,626	199
Net primary production distributions from partnerships or trusts	1,291	37	1,237	134
Franking credit	23,681	112	18,116	92
Forestry managed investment scheme income	237	7	140	1
Less other deductions	16,454	303	15,863	353
Less deductions relating to Australian investment income	5,010	210	4,011	153
Less deductions relating to forestry managed investment scheme	237	5	209	2
<b>Net Australian income or loss<sup>2</sup></b>	<b>381,610</b>	<b>19,933</b>	<b>370,894</b>	<b>19,207</b>
Net other assessable foreign source income	2,548	148	2,243	139
Attributed foreign income – total	28	1	22	1
Australian franking credits from a New Zealand company <sup>3</sup>	20	..	35	..
<b>Total net income or loss<sup>2,4</sup></b>	<b>381,633</b>	<b>20,082</b>	<b>370,937</b>	<b>19,348</b>

<sup>1</sup> Data for the 2008–09 and 2009–10 income years includes data processed up to 31 October 2010 and 31 October 2011 respectively. Data for the 2008–09 revised.

<sup>2</sup> The number totals do not add up to the taxpayer number components as taxpayers may include more than one type of income in their tax returns. The dollar amount totals may differ from the sum of the components due to rounding.

<sup>3</sup> '..' means rounded to zero but not zero.

<sup>4</sup> Item 24 on page 5 of the partnership return.

## PARTNERSHIP BUSINESS INCOME

Partnerships reported total business income of \$159.5 billion for the 2009–10 income year, a 3.2% decrease over the previous year. The manufacturing industry had the largest decrease in income of \$5.6 billion or 20.2%. The electricity, gas, water and waste services industry had the largest increase in income of \$1.0 billion (a 24.6% increase on the previous year).

**Table 5.3** Partnership total business income, by industry, 2008–09 and 2009–10 income year

Industry <sup>1</sup>	2008–09 <sup>2</sup>		2009–10 <sup>2</sup>	
	No.	\$m	No.	\$m
Agriculture, forestry and fishing	95,773	23,575	93,372	22,161
Mining	478	1,596	445	1,231
Manufacturing	12,986	27,580	12,307	22,016
Electricity, gas, water and waste services	739	4,189	733	5,221
Construction	55,203	21,616	52,917	21,963
Wholesale trade	7,124	6,118	6,740	7,103
Retail trade	27,161	21,690	26,291	22,101
Accommodation and food services	17,843	6,581	17,424	6,496
Transport, postal and warehousing	15,948	4,617	14,998	4,132
Information media and telecommunications	1,212	4,974	1,145	4,974
Financial and insurance services	2,482	1,648	2,359	1,685
Rental, hiring and real estate services <sup>3</sup>	15,319	5,022	15,140	5,541
Professional, scientific and technical services	14,596	18,146	14,157	17,471
Administrative and support services	13,148	1,864	12,794	2,009
Public administration and safety	572	294	515	209
Education and training	2,462	316	2,416	309
Health care and social assistance	4,061	3,241	4,014	3,388
Arts and recreation	3,772	2,825	3,594	2,688
Other services	17,801	4,003	17,149	3,866
Other <sup>4</sup>	14,092	4,908	14,407	4,962
<b>Total<sup>5</sup></b>	<b>322,772</b>	<b>164,804</b>	<b>312,917</b>	<b>159,527</b>

1 The industry groups are classified based on the Australian and New Zealand Standard Industrial Classification (ANZSIC) 2006 codes on the Australian Business Register.

2 Data for the 2008–09 and 2009–10 income years includes data processed up to 31 October 2010 and 31 October 2011 respectively. Data for the 2008–09 revised.

3 'Investment income recipients' statistics are included in this category.

4 Includes partnerships that lodged a subsidiary return with income from non-primary production partnerships and trusts, those registered under the government administration and defence code and those that did not state their industry.

5 Totals may differ from the sum of the components due to rounding.

**Box 5.1** Partnership size, by total business income

For the purposes of this chapter:

**Total business income** is the amount a partnership declared at item 5 on page 3 of the 2010 partnership tax return.

**Loss partnerships** have a total business income less than \$0.

**Nil partnerships** have a total business income equal to \$0.

**Micro partnerships** have a total business income equal to or more than \$1 but less than \$2 million.

**Small partnerships** have a total business income equal to or more than \$2 million but less than \$10 million.

**Medium partnerships** have a total business income equal to or more than \$10 million but less than \$100 million.

**Large partnerships** have a total business income equal to or more than \$100 million but less than \$250 million.

**Very large partnerships** have a total business income equal to or more than \$250 million.

For the 2009–10 income year, micro-sized partnerships accounted for 39.9% of all partnership total business income. The 'medium' segment had the only increase in total business income (a 9.0% increase on the previous year).

**Table 5.4** Partnership total business income, by partnership size, 2008–09 and 2009–10 income years

Partnership size	No.	2008–09 <sup>1</sup> \$m	No.	2009–10 <sup>1</sup> \$m
Loss	327	–16	301	–13
Nil	70,343	0	69,481	0
Micro	314,152	65,614	304,414	63,710
Small	7,309	27,976	7,139	27,826
Medium	899	21,616	979	23,570
Large	57	8,581	54	8,487
Very large	28	41,034	30	35,946
<b>Total<sup>2</sup></b>	<b>393,115</b>	<b>164,804</b>	<b>382,398</b>	<b>159,527</b>

<sup>1</sup> Data for the 2008–09 and 2009–10 income years includes data processed up to 31 October 2010 and 31 October 2011 respectively. Data for the 2008–09 revised.

<sup>2</sup> Totals may differ from the sum of the components due to rounding.

## PARTNERSHIP BUSINESS EXPENSES

For the 2009–10 income year, partnerships reported total business expenses of \$142.8 billion, a 3.3% decrease from 2008–09. The most significant expense claimed was the cost of sales, which accounted for 44.3% of all partnership expenses, followed by other expenses at 35.7%.

**Table 5.5** Partnership business expenses, by type, 2008–09 and 2009–10 income years

Type of expense	No. <sup>2</sup>	2008–09 <sup>1</sup>	No. <sup>2</sup>	2009–10 <sup>1</sup>
		\$m		\$m
Cost of sales	173,083	66,032	168,071	63,232
External labour	84,700	7,452	83,074	7,295
Depreciation	284,650	5,034	275,704	5,599
Interest	177,208	5,691	169,574	5,407
Rent	83,612	3,104	81,171	3,159
Repairs and maintenance	209,106	2,302	201,808	2,220
Motor vehicle expenses	234,474	2,138	226,452	2,041
Royalty expenses	2,292	1,078	2,245	1,110
Superannuation	73,278	1,085	70,574	1,034
Lease expenses	23,109	628	20,381	531
Bad debts	8,156	190	7,764	198
Foreign resident withholding expenses	51	18	118	17
Other expenses	325,493	53,003	315,278	50,995
<b>Total<sup>3</sup></b>	<b>332,538</b>	<b>147,756</b>	<b>322,282</b>	<b>142,837</b>

1 Data for the 2008–09 and 2009–10 income years includes data processed up to 31 October 2010 and 31 October 2011 respectively. Data for the 2008–09 income year has been revised.

2 Components do not add to the total number of taxpayers claiming expenses as taxpayers may claim more than one type of expense.

3 Totals may differ from the sum of the components due to rounding.

## SOURCE OF PARTNERSHIP STATISTICS

The statistics in this chapter are sourced from 2009 and 2010 partnership tax returns processed by 31 October 2010 and 31 October 2011 respectively. The statistics reported are not necessarily complete as the proportion of tax returns processed by 31 October each year can vary. We recommend you exercise caution when comparing the statistics for the current year and previous years.

Statistics reported in the detailed tables for the 1989–90 to 2009–10 income years have been updated to include returns processed by 31 October 2011. These statistics cannot be compared to those in previous editions of Taxation statistics.

A copy of the partnership tax return form is in the appendix. You can view or download it in PDF file format from the attached CD-ROM or from the online version of Taxation statistics on our website at [www.ato.gov.au](http://www.ato.gov.au)

## PARTNERSHIP CHAPTER TABLES

The partnership chapter tables are now on the attached CD-ROM and included in the online version of this publication on our website. You can view or download all the chapter tables in Excel.

## LIST OF PARTNERSHIP DETAILED TABLES

The following partnership return detailed tables are on the attached CD-ROM and included in the online version of this publication on our website. You can view or download these tables as PDF or Excel files.

The items referred to in the detailed tables are items declared on the 2010 partnership income tax return. A copy of the return is in the appendix.

To find out whether a particular item is included in a detailed table, refer to the partnership return detailed tables index included on the attached CD-ROM and in the online version of this publication. The table index lists the different items shown in the detailed tables and specifies the tables they appear in.

**Table 1 Selected items, by net Australian income, 2009–10 income year**

This table shows the number of records and amounts for selected items from the partnership return, broken down by net Australian income.

- **Part A: Business income, expense and reconciliation items** – contains income, expense and reconciliation labels from item 5 'Business income and expenses' on page 3 of the partnership return.
- **Part B: Other income and expense items** – contains labels from item 6 on page 3, and items 8–12 and 14 on page 4 of the partnership return.
- **Part C: Other deductions, foreign income and total net income** – contains labels from items 16–18, 20 and 23–24 on page 5 of the partnership return.
- **Part D: Key financial information and business and professional items** – contains items 32–36 from the 'Key financial information' section on page 6 and items 39–55, 57 and 60–61 from the 'Business and professional items' section on page 7 of the partnership return.

**Table 2 Selected items, by broad industry, 2009–10 income year**

This table shows the number of records and amounts for most items from the partnership return. Partnership returns and the data are classified by broad industry groupings (determined by the taxpayer's main source of business income) based on the ANZSIC 2006 codes.

- **Part A: Business income, expense and reconciliation items** – contains income, expense and reconciliation labels from item 5 'Business income and expenses' on page 3 of the partnership return.
- **Part B: Other income and expense items** – contains labels from item 6 on

page 3, and items 8–12 and 14 on page 4 of the partnership return.

- **Part C: Other deductions, foreign income and total net income** – contains labels from items 16–18, 20 and 23–24 on page 5 of the partnership return.
- **Part D: Key financial information and business and professional items** – contains items 32–36 from the 'Key financial information' section on page 6 and items 39–55 and 60–61 from the 'Business and professional items' section on page 7 of the partnership return.

**Table 3 Selected items for income years 1989–90 to 2009–10**

This table shows selected items from the partnership return for income years 1989–90 to 2009–10. Most items display the number of records and amounts.

**Table 4 Selected items, by fine industry (amounts only), 2009–10 income year**

This table shows the number of partnership returns and amounts for most items from the partnership return. Partnership returns and the amounts are classified by fine industry groupings (determined by the taxpayer's main source of business income) based on the ANZSIC 2006 codes.

- **Part A: Business income, expense and reconciliation items** – contains income, expense and reconciliation labels from item 5 'Business income and expenses' on page 3 of the partnership return.
- **Part B: Other income and expense items** – contains labels from item 6 on page 3, and items 8–12 and 14 on page 4 of the partnership return.
- **Part C: Other deductions, foreign income and total net income** – contains labels from items 16–18, 20 and 23–24 on page 5 of the partnership return.
- **Part D: Key financial information and business and professional items** – contains items 32–36 from the 'Key financial information' section on page 6 and items 39–55, 57 and 60–61 from the 'Business and professional items' section on page 7 of the partnership return.

❗ Page numbers refer to the 2010 partnership tax return used by tax agents on behalf of their clients. A copy of this form is in the appendix.

To meet privacy legislation and regulations, statistics for some items may not be included in the tables.